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Chapter 9 Counsel for Tulare Local Healthcare District, dba
Tulare Regional Medical Center

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry Street
Tulare, CA 93274

CASE NO. 17-13797

DC No.: WW-60

Chapter 9

Date: February 7, 2019

Time: 10:30 a.m.

Place: 510 19th Street
Bakersfield, CA
Courtroom 13

Judge: Honorable René Lastreto II

MOTION FOR AUTHORITY TO BORROW AND GIVE SECURITY

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Tulare Local Healthcare District, dba Tulare Regional Medical Center (hereinafter "District" or "Debtor") hereby submits this Motion for Authority to Borrow and Give Security ("Motion"). Per the Motion, the Debtor seeks an order, pursuant to Section 364(d) and FRBP 4001(d), in the form included herewith as Exhibit A, authorizing the Debtor to obtain Post Petition Financing from the City of Tulare ("Lender") in the amount of \$9,000,000. In support of the Motion, the Debtor alleges as follows:

1. The Debtor has urgent need to borrow money so it can meet its ongoing operational expenses, financial obligations and to resolve certain disputes and to move forward with its Plan.

1 2. On September 30, 2017, the Debtor filed a Chapter 9 case in the United
2 States Bankruptcy Court for the Eastern District of California, Fresno Division.

3 3. The Debtor is a California healthcare district that owns an acute care
4 hospital and other facilities in Tulare, California.

5 4. The facts surrounding this request for a loan are shown by the
6 declarations of Richard Gianello and Reed Upson.

7 5. By the Motion, the Debtor seeks authority to borrow \$9,000,000 from the
8 City of Tulare. The intended use of the borrowed funds is to fund ongoing District
9 operational obligations, to fund settlements of certain disputes and to provide financing
10 needed to move forward toward filing its Plan of Adjustment.

11 6. The borrowed funds will enable the District to pay its ongoing operational
12 expenses and settle pending disputes necessary to free up collateral and assets. While
13 the operational expenses of the hospital will be met by Adventist Health, as lessee once
14 the ownership change is approved on or about March 1, 2019 by CDPH, the District's
15 own operational expenses will be ongoing and the loan will enable the District to carry
16 on with its mission and duties.

17 7. At the present time the property to be borrowed against is subject to
18 Tulare County real property taxes that will be brought current from the borrowed funds,
19 a disputed first deed of trust asserted by Healthcare Conglomerate Associates, LLC and
20 a floating lien granted to Wilmington Trust as Indenture Trustee/Paying Agent on GO
21 and Revenue Bonds. Healthcare Conglomerate Associates, LLC has consented to this
22 borrowing and discussions are underway with Wilmington Trust.

23 8. The terms of the borrowing are set out in detail in the Declaration of
24 Richard Gianello and are summarized here as follows:

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Key Terms¹

<u>Face Amount</u>	Face amount of \$9,000,000
<u>Draws</u>	Minimum draw of \$500,000 with 10 business days advance notice unless excused.
<u>Initial Tranche</u>	\$6,000,000 initial draw at closing.
<u>Approvals</u>	Board approval and USBC approval.
<u>Subsequent Tranche</u>	Draws after initial draw are conditioned upon no defaults; updated certified cash flows; compliance with approved budget.
<u>Rate</u>	6% per annum.
<u>Maturity</u>	5 years from closing.
<u>Amortization</u>	Interest only for first 36 months. Amortization months 37-60 in equal quarterly payments.
<u>Collateral</u>	First Deed of Trust on all District real property except hospital real property or equipment assets; assignments of rent; certain tax revenues in excess of payments on GO and Revenue Bonds.

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¹ See the Declaration of Richard Gianello to which is appended the entire Term Sheet describing the terms and conditions of the loan. The actual Definitive Loan Documents are being drafted. At least three (3) days prior to the initial hearing on this Motion the Definitive Loan Documents will be posted to the District's website www.tularelocalhealthcaredistrict.org and a notice of availability will be given to those prescribed by the Order Shortening Time.

1 WHEREFORE, the Debtor prays that it be authorized to borrow \$9,000,000 from
2 the City of Tulare on the terms aforesaid and referenced herein and in the Gianello
3 Declaration and seeks such other and further relief as is just and proper.

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5 Dated: January 24, 2019

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7 By: 

Riley C. Walter,
Attorneys for Debtor, Tulare Local
Healthcare District, dba Tulare Regional
Medical Center